

J. Michael Ferguson

From: J. Michael Ferguson
Sent: Sunday, March 29, 2015 5:08 PM
To: Kathy Bond
Subject: Alvord 287 Financials
Attachments: P & L -Bal Sheet Jan 14 to Feb 15_0185.pdf; Journal Entries Jan & Feb 2015.pdf; Journal Entries for 2014.pdf; HUD for 3 Lots sold thru March 2015_0186.pdf; Tax Statements Wise County_0184.pdf; Denton County Taxes owed on Notes.pdf

Kathy and Brian,

Attached are the following:

1. P & L and Balance Sheet for each Quarter of 2014
2. P & L and Balance Sheet for Jan 2015
3. P & L and Balance Sheet for Feb 2015
4. Payment Register and Balance Reports for Oct 2014 thru Dec 2014
5. Payment Register and Balance Reports for Jan 2015
6. Payment Register and Balance Reports for Feb 2015
7. Journal Entries made for all of 2014
8. Journal Entries made for Jan 2015
9. Journal Entries made for Feb 2015
10. HUD Statements on 3 properties that sold and closed in my office versus your title company
11. Tax Statements for Wise County for properties that Alvord has Notes on showing delinquent taxes owed
12. Tax Statement for Denton County for properties that Alvord has Notes on showing delinquent taxes owed

These are the issues that I made a reserve for:

1. Delinquent taxes owed to Denton County or Wise County under notes- \$23,000 was reserved for those taxes as \$22,259 is owed this month. That . We will force the issue with the borrower to either pay them or Alvord will pay them and have them escrow for them if they continuously fall delinquent on them. For properties that the borrower pays their own taxes, a journal entry will be made to remove the funds from reserve to be available for capital with drawl. Any taxes that are advanced by Alvord, this will be reflected on a journal entry moving the funds from the reserve to an addition to either escrow if one is established or to the principal of the loan if that is what happens.
2. \$10,000 has been reserved for sales expense such as Septic Repair, road repair, mowing, etc. That will be maintained at that level especially as more lots are now selling. We have one septic repair already that I am told will run approximately \$2,500.00.

After reserving for that, I ran the report for January 2015 and distributed \$4,000 of free cash to each owner. In February, I distributed \$3,500 to each owner. Each month, within 30 days of the end of the previous month, you will get the following going forward:

1. Payment Register for the Month showing all payments
2. Balance Report for month showing balances of loans.
3. P & L and Balance Sheet for the month.
4. Journal Report from Quickbooks showing all entries made on the books of Alvord for the month

Here is a listing of all delinquent taxes owed on properties that are secured by a note and deed of trust:

Name	2014		2013		2012		2011		2010
	Denton	Wise	Denton	Wise	Denton	Wise	Denton	Wise	Denton
Adams Bil	\$233.40								
Belcher H									
Biddle Ma									
Biediger									
Bowen Cha	\$191.75								
Crone Bob									
Flores Lu									
Henderson	\$462.93	\$135.47	\$642.17						
Kopp Fali									
Kowalski	\$126.65	\$37.06							
Lopez Lil									
Martinez									
McLaughlin									
Murillo A	\$379.81	\$111.13							
Ortiz Rub	\$925.92	\$203.22							
Roberts B	\$467.20	\$136.71							
Russell S	\$1,147.33	\$336.15	\$1,245.82	\$365.00	\$1,308.81	\$396.17	\$1,418.69	\$430.27	\$1,525.30
Seeton Th	\$340.23	\$221.16							
Smith Jef	\$400.71	\$117.27	\$555.86	\$162.66	\$346.10				
Wisslead	\$0.00								
Zamora Ir	\$403.10	\$117.97							
Total: 21	\$5,079.03	\$1,416.14	\$2,443.85	\$527.66	\$1,654.91	\$396.17	\$1,418.69	\$430.27	\$1,525.30

will get the financials to our CPA and get the tax return done so that he can send out the K1 on the company.

understand if you disagree on how I am handling these issues and I am ok if you disagree. I apologize again for taking as long as I did to get this updated and confirmed on the delinquent taxes but we just have not had time to get it done. If you feel that you disagree enough to split the company, then please do the following:

1. Give me your ideas on how to split the assets and I will be happy to discuss that with you. If we reach an agreement on how to fairly split the assets, then we can each take our share and dissolve Alvord 287.

Otherwise, I will now send you monthly reports as well as monthly checks on the portfolio.

Any accounting documents you need, reports you need, pay histories, taxes paid, bills paid, etc. please feel free to request that by email and we will send it over to you.

I have included each and every Journal Entry made for this Entity so you have a complete set of books for 2014 thru Feb 2015. I will mail the \$7,500 for Jan 2015 and Feb 2015 tomorrow.

Thanks,
Mike

J. Michael Ferguson, P.C.
Attorney at Law
1210 Hall Johnson Rd., Suite 100
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J. Michael Ferguson

From: J. Michael Ferguson
Sent: Tuesday, March 31, 2015 1:30 PM
To: Kathy Bond
Subject: RE: Septic Systems
Attachments: 287 JV pay hist A 7-21-14 (2).pdf; 287 JV pay hist B 7-21-14.pdf

Thank you for the information on the septic systems.

Robert Wood told me yesterday that he was going to look. NTW is the company that was being used and so that is who we called but I will also call Aerobics United. I appreciate the information. My understanding is that these are Aerobic Systems. I don't have any invoices, that is just the figure I was told to estimate on an aerobic system that has been gutted.

We will mail the demand letters on all delinquent taxes today or tomorrow. We will know by the end of April who has paid their own taxes.

Also, I do not believe that I sent the pay history on the notes while Jentex Serviced them. Let me know if you need any additional information

Thanks,
Mike

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From: Kathy Bond [mailto:kbond@kairoshomesllc.com]
Sent: Tuesday, March 31, 2015 11:52 AM
To: J. Michael Ferguson
Subject: Septic Systems

Michael,

Brian noticed on your letter something about septic systems and didn't know how much you knew about them, so if you already know this – please disregard.

There are two types of systems: aerobic and conventional. You can always call the county and they will tell you which system the address in question has installed. Conventional systems do not need to be repaired. The only thing that can happen with a conventional system is the line is off and a few minutes of digging (cost max \$200) can correct the issue. Brian said he could assist with conventional systems. The other type of septic system is aerobic and because the concrete “tank” is buried and is very simplistic it does not break but a few things can go wrong with it. The MOST we have ever paid to get a system repaired/set up is \$1500.00. You mentioned something about \$2500. There really should never be a septic bill this high.

We use:

1. Aerobics Unlimited
2. Septic System Service
3. Address: 7680 US-377, Collinsville, TX 76233
Phone:(903) 429-3237

kb

Kathy Bond
Office Manager Kairos Homes, LLC
Frazier Asset Management
Shenandoah Water Estates

Kairoshomesllc.com
3345 Western Center Blvd #160
Fort Worth, TX 76137
817.847.7851 Office
817.691.9935 Mobile
817.439.6799 Fax

Please NOTE my NEW EMAIL address: kbond@kairoshomesllc.com

J. Michael Ferguson

From: J. Michael Ferguson
Sent: Tuesday, March 31, 2015 6:07 PM
To: Kathy Bond
Subject: RE: Sent Via Certified Mail

Please tell Bryan that simply does not work for us. We service over 450 loans and it is not worth the time or effort to just transfer the money from one account to the other. Instead of making bi-annual distributions or keeping money in a separate account, the following is what I prefer to do:

1. Make monthly distributions to Frazier Asset Management.
2. Produce monthly reports showing exactly what was paid on the notes
3. Produce monthly P&L and Balance Sheet so that all parties are kept up to date on any expenses.
4. Escrow any Borrower who fails to pay their taxes timely for 2 consecutive years.

I am not real clear what the issue here is. The only expenses seem to be rather small other than (1) Property taxes owed on the lot inventory and (2) the septic repairs that have to be made when a lot sells. Other than that, most expenses seem to be for mowing, NTW service Contracts, electrical cost and none of that is worth spending five minutes discussing.

If it bother Brian so bad that \$10,000 is being reserved for items like the septic repairs then I will just distribute that money also. The \$23,000 that I reserved is for a real liability that we may have to pay and that will be resolved in the next 30 days.

Unless I hear otherwise, I will distribute \$5,000 more tomorrow and that will remove the \$10,000. In 30 days, the \$23,000 will be gone in 1 of 2 ways. (1) the borrower will pay their own taxes or (2) we will pay their taxes and set up an escrow going forward.

Please look at the expenses for the last year. I am hoping you will reconsider as the expenses are not very high at all for this deal.

At end of day, we will just distribute available funds each month and you will get reports monthly.

Thanks,
Mike

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From: Kathy Bond [mailto:kbond@kairoshomesllc.com]
Sent: Tuesday, March 31, 2015 2:59 PM
To: J. Michael Ferguson
Subject: Sent Via Certified Mail

Brian Frazier
Alvord 287 Joint Venture
3345 Western Center Blvd, #160
Fort Worth, TX 76137
817.847.7851

J. Michael Ferguson, P.C.
1210 Hall Johnson Road #100
Colleyville, TX 76034

VIA CERTIFIED LETTER

3/31/2015

Dear Michael,

Brian does not want any changes made on how the Alvord 287 Joint Venture has been conducted over the past 18+ years while it was run by Jay Lesok. As he has said in the past, one partner cannot make any changes in how the business is conducted without both parties agreeing – in advance of any change. He is requesting that you revert back to the way it had been running before you made changes.

Basically, there are three simple points that Brian wants to go back to the processing of the joint venture;

1. All monies will be deposited in the Alvord 287 Joint Venture bank account.
2. There will be no distributions to any partner.
3. Each month the partners (J. Michael Ferguson and Brian Frazier) will discuss any bills before they are paid.

Brian is asking that you confirm back, in writing, no later than Friday, April 3rd, 2015 that you agree to this request.

Thank you,

Kathy Bond for
Brian Frazier

Kathy Bond

Office Manager Kairos Homes, LLC
Alvord 287 JV
Frazier Asset Management
Shenandoah Water Estates

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